

# The **Ways** and **Whens** to Influence Joint Ventures

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Engaging with joint venture partners offers clear opportunities to improve disclosure, transparency and best practices at non-operated assets – however, driving change with joint venture partners also presents certain challenges.

While non-operating partners are afforded a degree of influence by operators through their ownership stake in the asset, typical oil and gas agreements provide non-operators few formal rights. For a non-operating partner to effectively influence operators, they must undertake a structured, collaborative and sustained approach to achieving their goals through a “partner influencing campaign.”

A deliberate and coordinated effort to drive operator improvements in select focus areas can improve venture performance, reduce GHG emissions and help the non-operating partner deliver value beyond the asset. A well-executed influencing campaign can also drive value for operating partners, providing technical expertise and solutions to meet environmental goals.

But first, to achieve these goals, companies and their shareholders must understand how to balance the **Ways** and **Whens** of operator influencing.

## The Ways

Rights, protections and obligations non-operating partners typically can hold in existing joint ventures with regard to environmental policies and practices. Typical terminology that is prevalent across joint venture legal agreements, can include clauses along three categories:<sup>1</sup>

### Reporting and Transparency

#### **Environmental impact assessment clause**

Obligates joint ventures to conduct a detailed environmental review either at the set-up or ramp-down of the activities

#### **Waste management and recycling provision**

Ensures joint ventures appropriately handle and recycle waste generated across the value chain

### Reduction Measures

#### **GHG emission and reporting clause**

Obligate joint ventures to reduce GHG emissions (e.g., CO<sup>2</sup>, CH<sup>4</sup>) and to periodically track and report total GHG

#### **Net carbon footprint provision**

Ensure joint ventures reduce total carbon footprint of products they produce (i.e., reduce full life cycle emissions)

### Prevention Clauses

#### **Sustainable sourcing clause**

Obligates joint ventures to instill sustainable sourcing practices across their supply chains

#### **Decommissioning and remediation clause**

Obligates joint ventures to perform certain environmental activities (e.g., conducting impact assessment, safely plugging wells) during and at the end of the joint venture

<sup>1</sup> Water Street Partners analysis from the environmental provisions in 72 venture and related legal agreements in the petroleum and mining sectors.

# The Whens

Influencing points throughout the life of a joint venture that can allow non-operating partners an opportunity to achieve greater influence with operating partners or solidify EHS goals in contract.

## Inception of the joint venture

Non-operating partners are most successful when aligning on EHS goals at the start of an agreement. When negotiating and structuring new joint venture agreements, the non-operator has significant leverage to incorporate clauses that are at the forefront of environmental protection and that conform to company best practices. This can occur during the selection and submission of bids from potential operating partners, the joint venture formation or the Final Investment Decision (FID).

## During the life of the joint venture

Once a joint venture agreement is in place, non-operating partners can still maximize influence by raising EHS goals during certain key convening points in the lifetime of a joint venture. These are often decision points where approval is required from a non-operator and can include Operating Committee meetings, the approval of a Work Plan & Budget (WP&B) or major project investment decisions.

## End of the joint venture

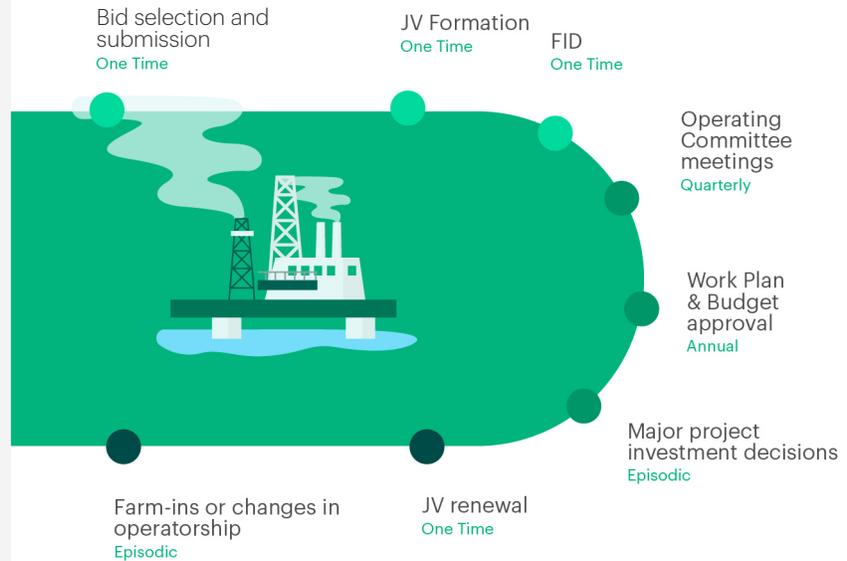
Finally, the end of a joint venture also offers an opportunity for non-operating partners to negotiate provisions on EHS goals when considering re-extending an agreement, either through joint venture renewal, restructuring or changes in operatorship.

### WHEN

Specific “influencing points” in the life of a JV to effect environmental decisions:

#### JV Life Cycle

- Start
- Mature
- End



Once the **Ways** and **Whens** are clearly understood and defined, they can be translated into an integrated work plan. This work plan can be used to track and benchmark influencing objectives for non-operated assets and determine further tactics on how

to influence the operator in high-priority areas. Shareholder engagements can focus on pointed questions around the development and implementation of such work plans.